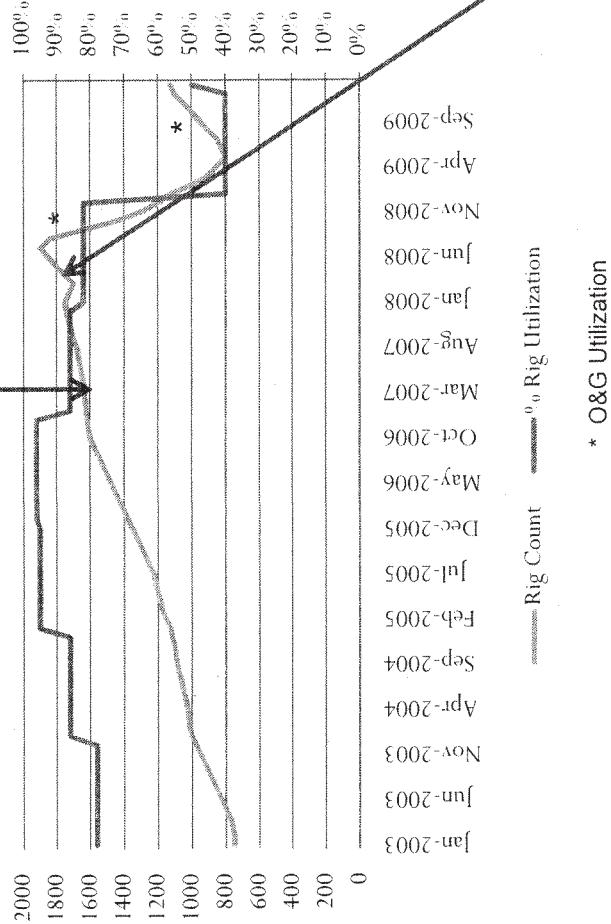


U.S. Land Rig Metrics

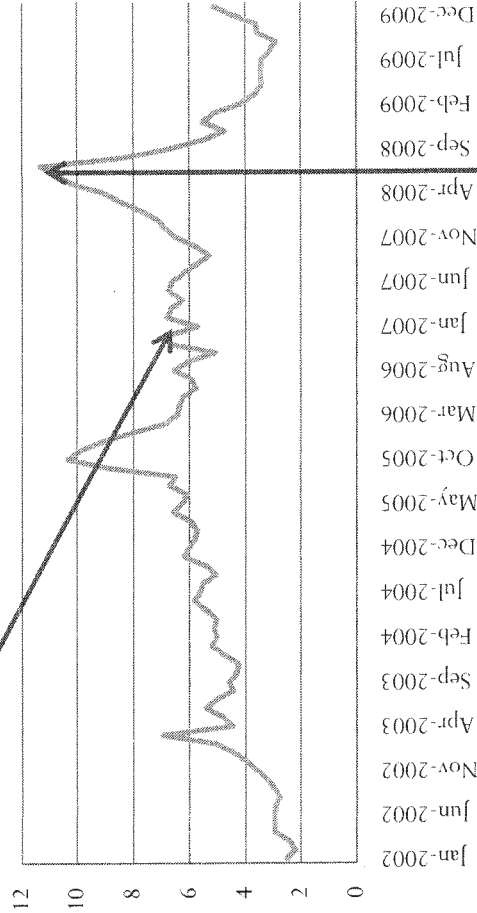
NOTE: O&G's last two rigs came online just as the price of Natural Gas was at all time high corresponding in a dramatic drop in overall demand for RIG's

Rigs #22, #48 and #3 come online

U.S. Land Rig Count vs Rig Utilization



U.S. Natural Gas Price (\$'s per Thousand Cubic Feet)



Sources:
Rigzone.com
National Gas Index

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Rigs #14 and #28 come online

TOPICS

- Executive Summary
- Company History and Situational Analysis
- **Impact to O&G**
- Proposal



IMPACT TO O&G

- Impact to O&G/Performance
 - 3 rigs currently not in use:
 - 2008 utilization 90.3%
 - 2009 utilization 52.3%
 - 2010 YTD utilization 49.8% (Projected to be 60% for 2010 as a 3rd rig has recently been put to work)
 - Average day rate for 1000 HP rigs down 35% from 2008 levels to \$11K per day
 - Increases in receivable balances and days sales outstanding impacted cash flow in 2009
 - Revenue projected to be down 11% in 2010 and EBITDA down 50% mainly driven from rate per day on 1000 HP rigs
 - Projected cash flows not sufficient to support existing debt service
 - Current EBITDA leverage ratio of 14 to 1 not sustainable

2009 CASH FLOW

	Amount in (000s)
EBITDA	\$ 5,848
Proceeds from Borrowings - Octane	\$ 772
Other Debt Proceeds	\$ 428
Equipment Suppliers	\$ 896
Insurance Note	\$ 1,324
Debt Payments	
Bondholders	\$ (2,228)
Washington State Bank	\$ (950)
Insurance Note	\$ (919)
Other	\$ (466)
	\$ (4,563)
Capital Expenditures	\$ (828)
Working Capital Change	\$ (2,367)
Net Cash Change	\$ 186
Cash at Beginning of Year	\$ 217
Cash at End of Year	\$ 403



MANAGEMENT ACTIONS

Management actions to date

- Secured 2 contracts that go longer than one year
- Working to secure additional business for other Rigs
 - In Q2 Performance began working on a multi-well day work contract for a third rig
 - Company has also signed a multi-well contract for a fourth rig
- Actively bidding 4-5 new opportunities a week
- Added additional sales expertise
- Reduced expenses per day by 8%
- Reduced staffing in Q1 2010 by 21%
- Engaged General Capital Partners to assess and advise on strategic alternatives:
 - Work solely with distressed companies since 2002
 - Principals collectively have over 300 engagements
 - Total debt restructured in excess of \$5 billion
 - Working with all major debt holders to gain support for modified capital structure

Significant change in debt structure required to insure return to bond holders

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TOPICS

- Executive Summary
- Situational Analysis
- Impact to O&G
- **Proposal**



OFFER TO BOND HOLDERS

- Create debt structure which allows for:
 - Better than market rate return to Bond Holders
 - Sharing in upside potential
 - Cash flow to service non bond debt
 - Build reserves to support bond retirement
 - Allow for continued employment of 80 families
- Exchange current bonds for new issue:

	<u>Current</u>	<u>New</u>
Senior	\$26.0MM @ 10.5%	\$11.0MM @ 7.5%
Junior	7.6MM @ 16.0%	
Additional Annual Distribution	NA	Annually 35% of Cash Flow After Budgeted Cash to Retire Bonds is Achieved
Maturity	2013	2020
Interest payment to begin		Sept 2010

BUDGETED CASH FLOWS 2010-2020

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Cash Flows Before Debt Service	1,869	1,906	2,108	2,331	2,586	2,867	3,183	3,546	3,953	4,412	4,928
Debt Service Bondholders	(413)	(825)	(825)	(825)	(825)	(825)	(825)	(825)	(825)	(825)	(825)
Debt Service Bank	(491)	(235)	(704)	(704)	(704)	(704)	(704)	(704)	(704)	(704)	(704)
Debt Service Octane	(106)	(127)	(127)	(670)	(670)	(670)	(670)	(670)	(670)	(670)	(670)
Total Debt Service	(1,010)	(1,187)	(1,656)	(2,199)	(2,199)	(2,199)	(2,199)	(2,199)	(2,199)	(2,199)	(2,199)
Cash Available to Retire Bonds	860	719	452	132	387	668	984	1,347	1,754	2,213	2,729



Additional annual distribution to be made of 35% of cash generated
after budgeted cash available to retire bonds

EXAMPLE OF POTENTIAL ADDITIONAL ANNUAL PAYMENT

Example of Bondholder Participation in the Improvement of Market Conditions

4 Rigs Operating on Spot Market Day Work Rates (365 Days)

Days Available for Drilling 1,460

Current Day Work Rate \$ 11,000

Improved Market Conditions Day Work Rate Increases
to 2008 Amounts \$ 15,000

Daily Improvement/Difference \$ 4,000

Proposed Bondholder Participation (35%) of Increased Day Work Rate \$ 1,400

Potential Additional Annual Return To Bondholders
Additional Return \$ 2,044,000
19%

Note: The day rate increase is used for example purposes only. The actual cash generated for the year must be in excess of the budgeted cash generated which is required to retire the bonds

OFFER ANALYSIS

- O&G's offer is much superior to a Liquidation or Chapter 11 Bankruptcy - neither of which is in the best interest of the Bond Holders
 - O&G's offer includes premium of 10% over liquidation plus a 35% annual distribution of excess cash flow above the budgeted cash flow
 - With a strong market rebound, the Bond Holders could realize the current face value of bonds
 - Liquidation is expensive will not realize the face values of the bonds or more
 - Timing of liquidation is unknown during which bondholders will receive no payments
 - Forced liquidation will trigger litigation
 - Subordinated Bond Holders will receive no recovery
 - Analysis does not include cost of bankruptcy which will erode value further
 - Fees and costs to the estate will exceed \$100k per month
 - Could last 12-15 months minimum with no recovery while case is pending
 - Offer may be different or not available under a bankruptcy
- **Time is of the essence to reach a resolution by May 31, 2010 for the benefit of all**
- The O&G offer will address current lien issues which will be contested in a bankruptcy filing

LIQUIDATION ANALYSIS

Asset Analysis O&G

	Note	Book Value as of Jan 2010	Hypothetical Percentage Recovery	Estimated Liquidation Value
Cash		\$ 23,166		\$ 23,166
Other Current Assets		\$ 211,593		\$ 90,497
Total Current Assets	1	\$ 234,759	100%	\$ 113,663
Rigs				
Transportation and Office Equipment		\$ 45,031,688		\$ 14,160,256
Accumulated Depreciation		\$ 21,000	12%	\$ 2,500
		\$ (6,255,781)		\$ 14,162,756
Intangibles		\$ 123,670	0%	\$ -
Debt Issuance		\$ 2,298,696	0%	\$ -
		\$ 2,422,366		\$ -
Total Assets		\$ 41,454,032		\$ 14,276,419
Cost of Liquidation				\$ (356,910)
Assets Available for Distribution				\$ 13,919,509
Net Assets Available from PDC after Liquidation	3			\$ 812,378
Net Assets to support claims				\$ 14,731,887
Net Assets to support claims				\$ 14,731,887
Secured Creditors	4			\$ 2,875,400
Assets Available for Unsecured				\$ 11,856,487
Unsecured Claims				\$ 42,911,045
Percent Payout				27.6%